

**REMARKS**

This Amendment and Request for Reconsideration is submitted in response to an outstanding Office Action dated May 18, 2006, the shortened three month statutory period for response set to expire on August 18, 2006. Accordingly, this response is believed to be timely and no extension of time or fee are believed due. In the event that an extension of time is required, the undersigned hereby petitions for any required extension of time and authorizes the Commissioner to charge the Milbank deposit account (13-3250) for any required fee.

**I. Status of the Claims**

Please cancel claims 23 and 34 - 41 without prejudice. Please amend claims 15, 24, 25, 28, 32, 42, 43, and 51 - 54 as indicated above. Claims 15 - 22, 24 - 33 and 42 - 54 are now pending in the application. Pending claims 15, 24, 25, 33, 42, 43, and 51 - 54 are independent claims.

Applicants acknowledge the Examiner's citation of statutory authority as a basis for claim rejections.

**II. Rejections under 35 U.S.C. § 101**

The Examiner has rejected claims 52 - 54 under 35 U.S.C. § 101 as being directed to non-statutory subject matter. In particular the Examiner states that the claims are not tied to a concrete, tangible and useful result and only represent an intermediate calculation.

Applicant respectfully traverses the rejection. Claims 52 - 54 are method claims directed respectively to: **offering** a share of an exchangeable security with a linked payment amount for sale on a securities exchange; **trading** a share of an exchangeable security with a linked payment amount on a securities exchange; or **redeeming** at a second time a share of an underlying security for a share of an exchangeable security and receiving a linked payment amount. Each of the claims includes **additional limitations related to determination of the**

issue price and the time when a linked payment amount is determined.

As similarly stated in the October 6, 2005 response to an earlier rejection under 35 U.S.C. § 101, applicant submits that claims 52 - 54 are directed to statutory subject matter because the invention as a whole produces a “useful, concrete and tangible result.” State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 1973, 47 USPQ2d 1596 (Fed. Cir. 1998). The technology employed is a new and useful process which consists of a series of steps or acts to be performed. MPEP § 2106(IV)(A); see also 35 U.S.C. § 100(b)(“The term ‘process’ means process, art, or method, and includes a new use of known process ...”). The instant methods are practical applications of functional financial processes and as such constitute inventions in the field of financial technology.

Applicant submits that the methods of claims 52 - 54 produce a “useful, concrete and tangible result.” The instant invention provides a useful, concrete and tangible result by, among other things, providing a process that enables the trading of financial instrument not heretofore known to the field of financial technology. By **offering, trading and redeeming** a new exchangeable security which delivers an underlying and existing security or basket of securities at a predetermined date, and holding the new exchangeable security for a minimum time period, participants of the transaction receive a tangible benefit. For example, an investor can obtain more than the return of the underlying security. The claimed financial methods define structural and/or functional interrelationships between the financial methods and other aspects of the invention which permit the financial method’s functionality to be realized. Thus, offering, trading and redeeming an exchangeable security in conjunction with the financial processes are statutory since these processes are applied to a claimed practical application.

Accordingly, the bases for rejection under 35 U.S.C. § 101 are overcome and applicant asks that the rejection be withdrawn.

**III. Rejections under 35 U.S.C. § 112**

The Examiner has rejected claims 15 - 54 under 35 U.S.C. § 112 ¶ 1 as being based on a disclosure which is not enabling. Then, citing *In re Mayhew*, the Examiner states that the “specification teaches that the marketable security is fully prepaid. The claims include do not expressly claim [sic] a prepaid instrument.”

Applicant traverses the rejection. The Examiner has not identified any particular claim limitation that is not disclosed in the specification, which is the normal basis for rejection under § 112 ¶ 1. Applicant respectfully submits that the specification is fully enabling of the claims and that non-limiting examples of all of the limitations contained in the claims are well described in the specification. Accordingly applicants submits that the rejection under 35 U.S.C. § 112 ¶ 1 is improper and ask that it be withdrawn.

To the extent that the Examiner’s rejection citing *In re Mayhew* is based on some alleged omission of matter from the claims that is disclosed to be essential to the invention as described in the specification, then applicant similarly traverses the rejection.

If correctly understood, the Examiner’s rejection is that “prepaid” is essential to the invention and should therefore be claimed. As explained in the specification, the invention is directed to an exchangeable security, not a prepaid forward, and a number of examples are provided to show that they are different. To the extent that the specification describes the invention as “prepaid” at page 9, line 11, it is in the context of distinguishing recently authorized securities futures which were not “prepaid.” In the finance area, the concept of being “prepaid” is generally associated with a forward contract, not with an security. This is because when a security is offered or issued, value is collected from the purchaser at that time. It would be extremely rare for a security to be offered or issued without collection of value at the time of offer/issue. Therefore, to the extent that being “prepaid” has any relevance to the offer/issue of

securities, then virtually every offer/issue of a security is “prepaid” because value is received when the security is offered/issued. With that background, applicant notes that the pending claims include variations of determining a price of an underlying security/basket of securities, then offering at the determined price of the underlying security, the exchangeable security. This is analogous to being “prepaid.” In addition and as noted, the pending claims are directed to exchangeable securities, not forwards. At least for that reason, applicant submits that including the term “prepaid” in the claims would be confusing because “prepaid” is generally not associated with a security, but is associated with a forward.

The Examiner has also rejected claims 33 and 43 - 54 under 35 U.S.C. § 112 ¶ 2 as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as his invention. In particular, the Examiner states that the “linked payment” is indefinite in scope, and asks how and when is this payment determined.

Applicant respectfully traverses this rejection. A non-limiting example for determination of the “linked payment amount” is provided at step 306 of Figure 3, with a description of that determination starting on page 13, line 22 through page 14, line 5. The linked payment is also referred to throughout the specification as the “additional payment” amount. In Table 2, the “linked payment” is the payment that is in the “payment only” and “discount and payment” columns.

Accordingly, any basis for rejection under 35 U.S.C. § 112 is improper and should be withdrawn.

#### **IV. Rejections under 35 U.S.C. § 102**

The Examiner has rejected claims 15 - 32, and 34 - 42 under 35 U.S.C. § 102 as being anticipated by Derivatives Markets, *Robert T. McDonald*, (“*McDonald*”). The Examiner states that *McDonald*, “teaches the pricing of a financial instrument known as prepaid forward

contracts (the applicant's claimed exchangeable security)." The Examiner also states that a "forward is a contract to purchase a specific quantity of commodities or securities ... at an agreed upon price at an agreed upon date." The Examiner equates a dividend with the claimed payment amount.

As an initial matter, applicant notes that *McDonald* has a copyright date of 2003, and the instant application has a filing date of January 2001. The Examiner has not provided any evidence that *McDonald* was available to the public prior to the January 2001 filing date, therefore *McDonald* is not prior art to the instant application. For this reason alone, applicant submits that the rejection is improper and should be withdrawn.

Applicant also respectfully submits that the pending claims are directed to an exchangeable security and not to a forward contract, and have amended the claims to make that clear. The specification goes to significant lengths to explain the differences between the claimed exchangeable security and a forward contract.

The claimed exchangeable security is structured for trade on a securities exchange. In various forms each of the pending claims determine the price of an underlying security or basket of securities, and offer the exchangeable security at the determined price of the underlying security or basket of securities. A payment amount is also determined so it can be linked to the exchangeable security when the exchangeable security is offered. At a later time, the exchangeable security is exchanged for the underlying security or basket of securities and the linked payment amount is delivered.

The forward contracts disclosed by *McDonald* do not include all of those limitations. For example, *McDonald* fails to disclose or teach an exchangeable security that is structured for trade on a securities exchange. *McDonald* also fails to disclose or teach determining a payment amount that is determined and linked to the exchangeable security when

the exchangeable security is offered, and where the linked payment is later delivered when the exchangeable security is exchanged for the underlying security or basket of securities.

There is also nothing in *McDonald* that would disclose or suggest dividends determined and linked to the forward contract of *McDonald* when the forward contract is offered. In fact, *McDonald* teaches away from a dividend being the claimed linked payment amount. At slide 21-6, *McDonald* first makes the assumption that there is no dividend, and then at slides 12-10 and 12-11, *McDonald* discounts the forward to account for the dividend, instead of adding an additional payment. Similarly, because *McDonald* discounts the forward to account for the dividend, there is nothing in *McDonald* that would disclose or suggest dividends that are later delivered when the forward contract of *McDonald* is exchanged.

At least for these reasons, applicant submits that the rejection under 35 U.S.C. § 102 is overcome and ask that the Examiner withdraw the rejection and allow the claims.

#### V. Request for Reconsideration

Applicants respectfully submit that the claims of this application are in condition for allowance. Accordingly, reconsideration of the rejection and allowance is requested. If a conference would assist in placing this application in better condition for allowance, the undersigned would appreciate a telephone call at the number indicated.

Respectfully submitted,



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